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November 9, 2011

Representative Wayne A. Schmidt
Chair, House Commerce Committee
Michigan House of Representatives
124 North Capitol Avenue
Lansing, MI 48909

RE: SB 569 - "Strategic Fund Act"
Film Production Assistance Program
Testimony of Mid America Cine Support, Inc.

Dear Representative Schmidt:

Our office has the great honor and privilege of representing the interests of Mid America Cine Support, Inc., (MACSI) Michigan's largest film equipment rental house and its President, Mrs. Cheryl Lerner.

Mid America Cine Support, Inc., supports SB 569, but asserts that a very critical change is required in the wording of SB 569 to prevent a manifest injustice which could severely prejudice Michigan filmmakers and filmmaking companies at the expense of large California based companies, which appear to be getting an unintended unfair advantage as SB 569 is currently worded.

I. Brief History of Mid America Cine Support, Inc.

MACSI is a company which for many generations has been in the business of providing rentals and sales of filmmaking, lighting equipment, camera dollies and a host of other equipment to the filmmaking industry in Michigan.

Cheryl Lerner's grandfather was a founding member of the Detroit branch of the International Alliance of Theatrical Stage Employees (IATSE). Incorporated in September 1989, Mid America Cine Support, Inc., is a fifth-generation operated family business.

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Mid America Cine Support, Inc., is a "poster child" for the value of the Michigan film incentives program. MACSI and the other 4,000 to 5,000 individuals who have been earning their living in the Michigan film industry are a real testament to the value and need for the continuation of the film incentives which is proposed by SB 569.

From 1989 until the mid 2000's MACSI and much of the Michigan film industry was supported by automotive industry commercials.

Due to the economic downturn in approximately 2008, the auto companies reduced their television commercial business in the State of Michigan to the point where MACSI was at risk of closing for lack of a filmmaking industry.

In 2007, MACSI had a total of five employees. With the advent of the Michigan film incentives, MACSI and similar companies were reinvigorated with new and healthy filmmaking projects which came to the State of Michigan and utilized the services and rental equipment of MACSI. MACSI's, business in the years 2008, 2009 and 2010 improved each year and MACSI by year 2010 had 12 Michigan residents as employees.

MACSI invested in new equipment to service the growing Michigan film industry. MACSI has supplied equipment and services to such Michigan productions as Red Dawn, Real Steel, Detroit 187, IDES of March, Freaky Deaky, Scream 4, 5-Year Engagement and others.

In 2011, subsequent to Governor Snyder's announcement that the film incentives would be capped at 25 million dollars per year, MACSI's, revenue again shrunk by more than 50% relative to its 2010 business and MACSI was required to layoff three Michigan employees.

II. SB 569 needs to be reworded to prevent manifest injustice to existing Michigan based Equipment Rental Facilities.

Section 29h.(3)(D)(v) provides a 3% bonus to productions who use a Michigan "Qualified Facility" (Studio), as follows:

"(v) IN ADDITION TO THE EXPENDITURES DESCRIBED IN SUBPARAGRAPHS (i), (ii), (iii), AND (iv), 3% OF DIRECT PRODUCTION EXPENDITURES AND MICHIGAN PERSONNEL EXPENDITURES AT A QUALIFIED FACILITY OR POSTPRODUCTION FACILITY FOR A QUALIFIED PRODUCTION PRODUCED AT THE FACILITY."

See Exhibit 1.

The definition of a "Qualified Facility" is contained in the definition section at Section 29h.(22)(l). **See Exhibit 2.**

In the original SB 569 introduced in July 2011, the definition of a Qualified Facility would have limited the award of [an additional 5% of direct production expenditures and qualified personnel expenditures at a Qualified Facility] to only Raleigh Studios in Auburn Hills, Michigan.

In Substitute Bill 1, as passed by the Senate on November 3, 2011, a compromise was made to the language which reduced the previous 5% of direct production expenditures and qualified personnel expenditures at a Qualified Facility to 3%. Substitute Bill 1 additionally lowered the requirements of a "Qualified Facility" to extend its application to many other Michigan studios other than solely Raleigh Studios of Auburn Hills.

The affect of this compromise change was to extend more of the Michigan filmmaking community the benefits of the additional bonus, as well as providing a more level playing field for additional studios to compete for the available filmmaking business.

However, Michigan based Film Equipment Rental Facilities were not addressed in the compromises made in Substitute Bill 1.

III. Raleigh Studios and its sister company Hollywood Rentals, a California based Film Equipment Rental Company.

Raleigh Studios Michigan is a member of the Raleigh Studios group which is apparently the largest independently owned studio group in the world. **See Exhibit 3.** One of Raleigh Studio's locations is in Michigan. Mid America Cine Support, Inc., believes that Raleigh Studios is a valuable asset to the Michigan Filmmaking Industry.

Hollywood Rentals of Los Angeles, Charlotte, Orlando and Baton Rouge is a sister company with Raleigh Studios. See the Hollywood Rentals website homepage, a copy of which is attached hereto as **Exhibit 3.**

It is the concern of Mid America Cine Support, Inc., that as written, the SB 569 language is vague enough to be interpreted that the 3% of direct production expenditures and qualified personnel expenditures at a Qualified Facility may extend to any Hollywood Rentals equipment and services which are bid by Raleigh Studio's sister company, Hollywood Rentals, and somehow run through Raleigh Studios, even where the production is on location, and not actually shot in Raleigh's Studios.

With the ambiguous language currently contained within SB 569, Raleigh Studios/Hollywood Rentals may represent to a perspective production that the production can save an additional 3% by using California based Hollywood Rentals for equipment rentals. **This places MACSI and all other Michigan based Film Equipment Rental Companies at a catastrophic disadvantage.** Most such productions may not even entertain a competitive bid process with Mid America Cine Support, Inc., or other Michigan based film companies if the California-based Hollywood Rentals is able to, through its subsidiary company, Raleigh Studios Michigan, obtain a 3% advantage.

IV. This ambiguity can be easily cleared up with a minor addition or change to the language of SB 569 to ensure that long standing Michigan Equipment Rental Companies such as Mid America Cine Support, Inc., will not be forced into a disadvantage due to a non-level playing field with California based Hollywood Rentals, and other foreign companies.

Alternative #1

Mid America Cine Support, Inc., asserts that a level playing field would be created by simply raising the direct production expenditure across the board to 30% from the existing 27% currently in Substitute Bill 1. There would then be no additional 3% bonus for the use of a **"Qualified Facility."** All Film Productions would simply receive 30%

Alternative #2

Another alternative in lieu of raising the direct production expenditure across the board to 30%, is to supplement Exhibit 1 herein to also include the 3% additional direct production expenditure to **"Qualified Equipment Rental Facilities."** This language could be inserted directly after the language enabling 3% of direct production expenditures in Michigan, personnel expenditures at a **Qualified Facility** or a **Postproduction Facility**.

The definition of a **"Qualified Equipment Rental Facility"** can be inserted immediately subsequent to the definition of **"Qualified Facility,"** as seen on Exhibit 2, attached.

MACSI recommends the definition of **"Qualified Equipment Rental Facility"** to include a company which has (1) been part of the Michigan Film Industry during the past 3 years, (2) with a minimum of 4,000 square feet of building space, (3) located in a commercially zoned area with public retail access, (4) a minimum of 2 Michigan resident full-time employees, and (5) filmmaking equipment assets domiciled at the premises in accordance with the type of business.

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V. Fairness in State promotion of Michigan Film Facilities.

Section 29a.(1)(b) & (c) states that the State may assist productions with locating Michigan services, as follows:

(b) "Provide to interested persons descriptive and pertinent information on locations, talent, crews, facilities, and technical production and other services related to film, digital media, and television production in this state."

(c) "Provide technical assistance to the film, television, and digital media industry in location and securing the use of locations, talent, crews, facilities and services in this state."

See Exhibit 4.

Mid America Cine Support, Inc., believes that language should be added insuring that the promotion and marketing efforts of the State of Michigan are truly representative of all resources which are involved in the Michigan filmmaking community. The State should not use tax dollars to pay for the promotion of certain competitors in the Michigan Film Industry to the exclusion of others.

Thank you for your consideration of our testimony.

Very truly yours,

Steven M. Chait, on behalf of
Mid America Cine Support, Inc., and
Cheryl Larner

1 (ii) MICHIGAN PERSONNEL EXPENDITURES AS FOLLOWS:

2 (A) 32% AFTER SEPTEMBER 30, 2011 AND BEFORE JANUARY 1, 2015.

3 (B) 27% AFTER DECEMBER 31, 2014.

4 (iii) CREW PERSONNEL EXPENDITURES AS FOLLOWS:

5 (A) 25% AFTER SEPTEMBER 30, 2011 AND BEFORE JANUARY 1, 2013.

6 (B) 20% AFTER DECEMBER 31, 2012 AND BEFORE JANUARY 1, 2014.

7 (C) 15% AFTER DECEMBER 31, 2013 AND BEFORE JANUARY 1, 2015.

8 (D) 10% AFTER DECEMBER 31, 2014.

9 (iv) QUALIFIED PERSONNEL EXPENDITURES AS FOLLOWS:

10 (A) 27% AFTER SEPTEMBER 30, 2011 AND BEFORE JANUARY 1, 2015.

11 (B) 12% AFTER DECEMBER 31, 2014.

12 (v) IN ADDITION TO THE EXPENDITURES DESCRIBED IN SUBPARAGRAPHS
13 (i), (ii), (iii), AND (iv), 3% OF DIRECT PRODUCTION EXPENDITURES AND
14 MICHIGAN PERSONNEL EXPENDITURES AT A QUALIFIED FACILITY OR
15 POSTPRODUCTION FACILITY FOR A QUALIFIED PRODUCTION PRODUCED AT THE
16 FACILITY.

17 (E) PAYMENTS AND COMPENSATION FOR ALL PRODUCERS OF A QUALIFIED
18 PRODUCTION RESIDING IN THIS STATE SHALL NOT EXCEED 10% OF THE
19 DIRECT PRODUCTION EXPENDITURES AND MICHIGAN PERSONNEL EXPENDITURES
20 FOR THE QUALIFIED PRODUCTION.

21 (F) PAYMENTS AND COMPENSATION FOR ALL PRODUCERS OF A QUALIFIED
22 PRODUCTION WHO ARE NOT RESIDENTS OF THIS STATE SHALL NOT EXCEED 5%
23 OF THE DIRECT PRODUCTION EXPENDITURES AND MICHIGAN PERSONNEL
24 EXPENDITURES FOR THE QUALIFIED PRODUCTION.

25 (G) A TELEVISION SHOW MAY SUBMIT AN APPLICATION FOR NO MORE
26 THAN 2 SUCCESSIVE SEASONS, NOTWITHSTANDING THE FACT THAT THE
27 SUCCESSIVE SEASONS HAVE NOT BEEN ORDERED. THE SUCCESSIVE SEASON'S



1 ALL OF THE FOLLOWING REQUIREMENTS:

2 (i) INCLUDES AT LEAST 3,000 SQUARE FEET OF CONTIGUOUS SPACE.

3 (ii) INCLUDES AT LEAST 8 WORK STATIONS.

4 (iii) HAS BEEN A QUALIFIED FILM AND DIGITAL MEDIA INFRASTRUCTURE
5 PROJECT FROM WHICH AN INVESTMENT EXPENDITURE CERTIFICATE WAS ISSUED
6 UNDER SECTION 457 OF THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36, MCL
7 208.1457, OR HAS BEEN THE LOCATION OF A STATE CERTIFIED QUALIFIED
8 PRODUCTION FOR WHICH A POSTPRODUCTION CERTIFICATE OF COMPLETION WAS
9 ISSUED UNDER SECTION 455 OF THE MICHIGAN BUSINESS TAX ACT, 2007 PA
10 36, MCL 208.1455, OR BOTH.

11 (K) "PRODUCER" MEANS AN INDIVIDUAL WITHOUT REGARD TO HIS OR
12 HER ACTUAL TITLE OR SCREEN CREDIT INVOLVED IN OR RESPONSIBLE FOR
13 ANY OF THE FOLLOWING:

14 (i) FUNDING FOR FINANCING IN WHOLE OR IN PART, OR ARRANGING FOR
15 THE FUNDING, OR FINANCING, OF THE QUALIFIED PRODUCTION.

16 (ii) OBTAINING THE CREATIVE RIGHTS TO OR THE INTELLECTUAL
17 PROPERTY FOR DEVELOPMENT OR PRODUCTION OF THE QUALIFIED PRODUCTION.

18 (iii) HIRING ABOVE THE LINE PERSONNEL.

19 (iv) SUPERVISING THE OVERALL PRODUCTION OF THE QUALIFIED
20 PRODUCTION.

21 (v) ARRANGING FOR THE EXHIBITION OF THE QUALIFIED PRODUCTION.

22 (I) "QUALIFIED FACILITY" MEANS A PERMANENT FACILITY WITHIN THIS
23 STATE EQUIPPED FOR THE PRODUCTION OF MOTION PICTURES, TELEVISION
24 SHOWS, OR DIGITAL MEDIA PRODUCTION THAT MEETS ALL OF THE FOLLOWING
25 REQUIREMENTS:

26 (i) INCLUDES MORE THAN 1 SOUNDSTAGE.

27 (ii) INCLUDES NOT LESS THAN 3,000 SQUARE FEET OF CONTIGUOUS,



1 COLUMN-FREE SPACE FOR PRODUCTION ACTIVITIES WITH A HEIGHT OF AT
2 LEAST 12 FEET.

3 (iii) INCLUDES ANY GRID AND SUFFICIENT BUILT-IN ELECTRIC SERVICE
4 FOR SHOOTING WITHOUT THE NEED OF PORTABLE ELECTRIC GENERATORS.

5 (iv) HAS BEEN A QUALIFIED FILM AND DIGITAL MEDIA INFRASTRUCTURE
6 PROJECT FOR WHICH AN INVESTMENT EXPENDITURE CERTIFICATE WAS ISSUED
7 UNDER SECTION 457 OF THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36, MCL
8 208.1457, OR HAS BEEN THE LOCATION OF A STATE CERTIFIED QUALIFIED
9 PRODUCTION FOR WHICH A POSTPRODUCTION CERTIFICATE OF COMPLETION WAS
10 ISSUED UNDER SECTION 455 OF THE MICHIGAN BUSINESS TAX ACT, 2007 PA
11 36, MCL 208.1455, OR BOTH.

12 (M) "QUALIFIED PERSONNEL EXPENDITURE" MEANS AN EXPENDITURE
13 MADE IN THIS STATE DIRECTLY ATTRIBUTABLE TO THE PRODUCTION OR
14 DEVELOPMENT OF A QUALIFIED PRODUCTION THAT IS A TRANSACTION SUBJECT
15 TO TAXATION IN THIS STATE AND IS A PAYMENT OR COMPENSATION FOR
16 NONRESIDENT ABOVE THE LINE PERSONNEL, TALENT, MANAGEMENT, OR LABOR,
17 NOT TO EXCEED \$2,000,000.00 FOR ANY 1 EMPLOYEE OR CONTRACTUAL OR
18 SALARIED EMPLOYEE OF A QUALIFIED PRODUCTION, INCLUDING BOTH OF THE
19 FOLLOWING:

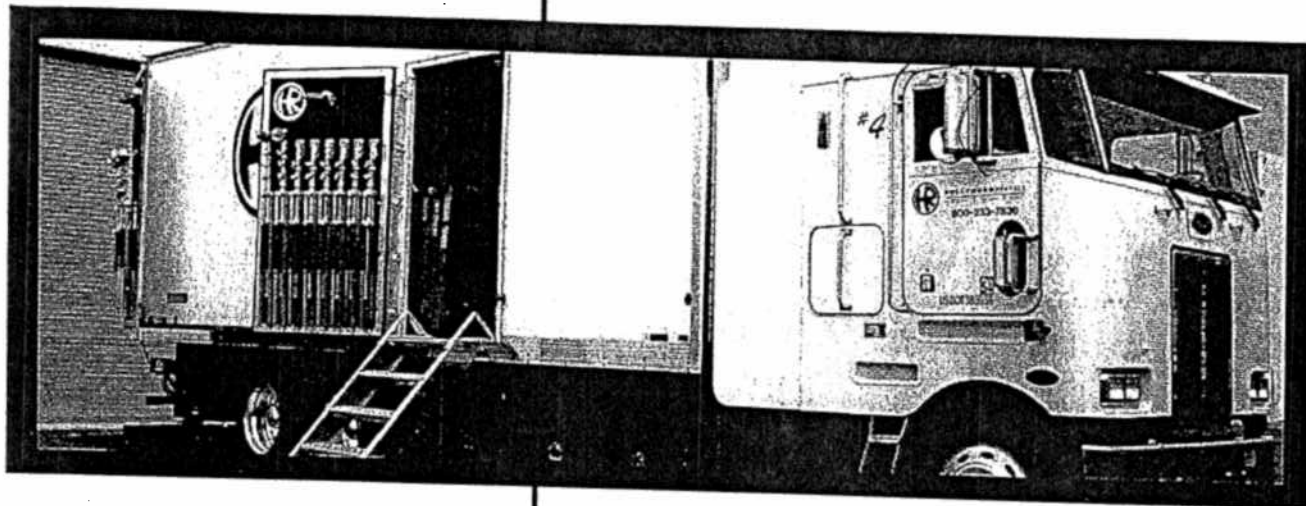
20 (i) PAYMENT OF WAGES, BENEFITS, OR FEES FOR TALENT, MANAGEMENT,
21 OR LABOR.

22 (ii) PAYMENT TO A PERSONAL SERVICES CORPORATION OR PROFESSIONAL
23 EMPLOYER ORGANIZATION FOR THE SERVICES OF A PERFORMING ARTIST OR
24 CREW MEMBER IF THE PERSONAL SERVICES CORPORATION OR PROFESSIONAL
25 EMPLOYER ORGANIZATION IS SUBJECT TO TAXATION IN THIS STATE ON THE
26 PORTION OF THE PAYMENT QUALIFYING FOR FUNDING UNDER THIS SECTION
27 AND THE PAYMENTS RECEIVED BY THE PERFORMING ARTIST OR CREW MEMBER





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1 (b) Provide to interested persons descriptive and pertinent
2 information on locations, talent, crews, facilities, and technical
3 production and other services related to film, digital media, and
4 television production in this state.

5 (c) Provide technical assistance to the film, television, and
6 digital media industry in locating and securing the use of
7 locations, talent, crews, facilities, and services in this state.

8 (d) Encourage community and Michigan film, digital media, and
9 television production industry participation in, and coordination
10 with, state and local efforts to attract film, digital media, and
11 television production in this state.

12 (e) Serve as this state's chief liaison with the film, digital
13 media, and television production industry and with other
14 governmental units and agencies for the purpose of promoting,
15 encouraging, and facilitating film, digital media, and television
16 production in this state.

17 (f) Explain the benefits and advantages of producing films,
18 digital media, and television productions in this state.

19 (g) Assist film, digital media, and television producers with
20 securing location authorization and other appropriate services
21 connected with film, digital media, and television production in
22 this state.

23 (h) Scout potential film locations for national and
24 international film, digital media, and television prospects.

25 (i) Escort film, digital media, and television producers on
26 location scouting trips.

27 (j) Serve as a liaison between film, digital media, and

